



DATE: January 17, 2008

TO: Senator Jon Erpenbach and
Members of the Senate Health & Human Services Committee

FROM: Molli Rolli, M.D., Co-Chair
Wisconsin Psychiatric Association, Legislative Committee
Rachel Molander M.D.
Wisconsin Psychiatric Association

RE: Support of Senate Bill 375

Molli Rolli M.D. Associate Professor, University of Wisconsin, Madison. Co-Director, Inpatient Psychiatry, University of Wisconsin Hospitals and Clinics, Co-Chair, Wisconsin Psychiatric Association Legislative Committee. Chair, Council on Ethics, Wisconsin Medical Society.

Rachel Molander M.D., Resident Physician, University of Wisconsin, Madison, Department of Psychiatry.

This testimony is presented on behalf of our patients, ourselves, the Wisconsin Psychiatric Association which represents 500 Psychiatric Physicians throughout Wisconsin and the Wisconsin Medical Society.

We, like the colleagues we are representing are Physicians who treat patients with serious mental illness. Psychiatrists practice in many settings including hospital-based services, nursing facilities, community-based clinics and programs, along with all the health programs under the auspices of the state government, such as county mental health services, community support programs and state hospitals. Psychiatric physicians also provide service and leadership as academic faculty and practitioners and academic medical centers of excellence and are at the forefront of research on the sources of new treatments for persons with mental illness, including substance use disorders.

First and foremost, we wish to thank Senator Hansen for his ongoing leadership on this issue and we wish to thank you, Senator Erpenbach and Members of the Committee, for your willingness to hold a public hearing on this vital topic.

We have chosen to refrain from making a moral argument about mental health parity. We believe there is a valid moral argument but we have chosen to focus instead on two issues. The first is that mental health parity is good for business. The second is that Mental Health Parity will keep more people working in Wisconsin. Of course, if you wish to hear the moral argument we will be happy to oblige you.

Mental Health Parity is Good Business

Nationwide business is acknowledging the cost of mental illness in the workplace. Employee Benefit News, a leading publication for HR professionals, and the Partnership for Workplace Mental Health, recently released the results of a national survey in which HR professionals from across the country selected mental illness as the health issue that has the most effect on indirect costs to businesses.

The American Psychiatric Foundation's Partnership for Workplace Mental Health program has developed an extensive body of research on the impact of inadequate mental health treatment on productivity and the bottom line for businesses.

More important to this debate in Wisconsin is the contention by some business advocates that increasing mental health benefits would increase costs to business. Given that we are one of only a few states to not have mental health parity, there is a body of research developing that shows no real cost to business when mental health parity is paired with utilization review.

Utilization review is the process insurance companies use to determine if they will agree to pay for a medical expense. Utilization review is the tool insurance companies use to avoid paying for unnecessary medical costs. Increasing the benefit does not give treatment to people who do not need treatment. When benefits increase utilization review insures that only those people in need of treatment get it. For example, hospitalization is generally not approved unless there is actual danger in releasing the patient from the hospital. Now, when a person's benefit has been exhausted the insurance company does not have to pay no matter how dire the situation is. Examples of patients who need to be in the hospital include suicidal patients and patients who are hearing voices telling them to harm other people. When the benefit is gone the payment of the expenses of these people in one way or another goes to the taxpayer.

An excellent example of a study of the cost difference appeared in the New England Journal of Medicine in 2006. It was entitled, "Behavioral Health Insurance Parity for Federal Employees". It concluded that when mental health parity is coupled with utilization review service improves without increasing total costs.

Parity Would Keep More People Working in Wisconsin

When the private sector does not provide adequate mental health benefits the burden of caring for people with serious mental illness is shifted to the public sector.

In our practices we see many people who are on disability who could work if they could get adequate mental health coverage. When a working Wisconsin citizen is stricken with a serious mental illness that requires hospitalization, their insurance policy is allowed to cover only about 4 days of inpatient hospital care in any calendar year. This is not adequate time to treat the most serious mental illnesses. It is very often in that patient's best interest to discontinue their insurance (quit their job) and apply for

disability because Medicare provides superior coverage. We have seen this situation occur countless times.

The lack of mental health parity does not affect the poor. Medicare and Medicaid are superior forms of coverage for mental health issues. Working people are left with no option when they or a family member develops a serious mental health problem than to apply for disability. Few families are wealthy enough to afford the out of pocket expenses required to treat a serious illness. In effect we end up "throwing in the towel" on a return to gainful employment before we have had a chance to treat the illness. Once a person gets disability their chance of returning to gainful employment is very small. It is common for our patients who could return to work, to avoid getting work because they would no longer be able to afford the treatment they need when they switch from Medicare or Medicaid to private insurance.

While the parity law won't remove every barrier to mental health, it will be a step forward and the Wisconsin Psychiatric Association hopes that this legislature will move this important legislation through both houses and pass legislation this session. Thank you in advance for your consideration. We will be happy to answer any questions you may have.



Wisconsin Manufacturers & Commerce

Wisconsin Manufacturers'
Association • 1911
Wisconsin Council
of Safety • 1923
Wisconsin State Chamber
of Commerce • 1929

James S. Haney
President

James A. Buchen
Vice President
Government Relations

James R. Morgan
Vice President
Marketing & Membership

Michael R. Shoys
Vice President
Administration

To: Chairperson Jon Erpenbach
Members of the Senate Committee on Health, Human Services,
Insurance and Job Creation
From: R.J. Pirlot, Director of Legislative Relations
Date: January 17, 2008
Subject: **Opposition to Senate Bill 375**, relating to health insurance
coverage of nervous and mental disorders, alcoholism, and other
drug abuse problems.

Under current law, fully-insured Wisconsin employers must provide a minimum level of coverage for treatment of nervous and mental health disorders and of alcohol and other drug abuse problems. SB 375 will remove these minimum coverage limits and, instead, require group health benefit plans to "provide the same coverage" for treatment of nervous and mental health disorders and of alcohol and other drug abuse problems that the plan provides for the treatment of physical conditions.

The Office of the Commissioner of Insurance has not released a financial analysis of this new mandate. Regarding a similar mandate, last session, past-Insurance Commissioner Jorge Gomez estimated such a mandate would increase health care insurance premiums, statewide, by up to \$36.6 million.

SB 375 Will Raise Health Care Costs, Jeopardizing Affordability

Government insurance mandates inevitably lead to higher health care insurance costs, meaning employers and employees will have to pay more for health insurance coverage. As health care insurance costs go up, typically the hardest hit are Wisconsin's small businesses and their employees. Rising health care costs are already forcing Wisconsin employers to shift health care cost increases to their employees, reduce health care coverage, or both. SB 375 will make the affordability problem worse.

SB 375 Will Jeopardize Access to Health Care Insurance

As health care insurance costs rise, fewer and fewer individuals and businesses can afford to buy health care insurance. An increase in premium costs to employers will have a negative effect on the number of people insured in Wisconsin. Only 26 percent of the Wisconsin population will be affected by SB 375, the population that depends on state-regulated health insurance plans for their coverage. This population is declining as health care insurance costs rise. Wisconsin businesses and their employees are already struggling to help pay for employee health care benefits. SB 375 will make the access problem worse.

Health Care Costs Are Rising and Hurt Economic Development

Rising health care insurance costs are a major concern for businesses, big and small, as they strive to stay competitive. Rising health care costs undermine the ability of Wisconsin companies to offer health care benefits and, significantly, impede their ability to create and retain good-paying jobs in Wisconsin. Again, SB 375 will make the access and affordability problems worse.

Testimony of Frank Mixdorf, President, NAMI Wisconsin

Chairman Erpenbach and Members of the Health and Human Services Committee: My name is Frank Mixdorf, and I am the President of NAMI Wisconsin, a not-for-profit organization that provides education, support, and advocacy for individuals and their families who live with mental illness. As part of a national organization, we support local affiliates in 40 Wisconsin counties and have nearly 5,000 members statewide.

Thank you for this opportunity to testify in support of SB 375, the mental health/substance abuse insurance parity bill. Last week, also in support of this bill, I sent a guest column article to 35 daily newspapers in Wisconsin, at least a fourth of which have run it so far, including both Madison papers and the *Milwaukee Journal-Sentinel*.

With 41 states having already enacted parity, the time has come for Wisconsin to recognize that mental illnesses are biological disorders affecting the brain and need insurance coverage equal to the coverage for any other part of the body.

We recognize that fairness and overcoming ignorance and discrimination may win over hearts and minds, but not always pocketbooks. Therefore, the economics of parity insurance deserve consideration. This is an issue that Wisconsin businesses should favor if they see it is worth their while. I will briefly speak about two studies to support my point, but first let me assert that there are many, many evidence-based studies available on the subject. Therefore, there is no need to rely on theoretical projections based on obsolete information.

First, in a three-year study from Yale University that tracked insurance where access to mental health services was reduced to presumably save costs, the result for those employees was significantly reduced work performance, increased absenteeism, and an increase in general health costs of 37%, when compared with other employees. These trends offset any savings in mental health costs and resulted in no economic benefit to the company.

Secondly, a cost-benefit analysis from a range of industries nationwide found that absenteeism and "presenteeism" decreased when employees were provided with appropriate treatment. In fact for every dollar invested in more thorough mental health treatment, employers gained a minimum return of \$1.20 in the form of increased productivity and attendance.

There are many such studies based on solid empirical evidence. The bottom line is that citizens in 41 states and 9 million federal employees including every member of congress would not have parity coverage if it did not make economic sense. So, why would Wisconsin employers not want to provide parity insurance coverage?

Thank you.



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January 17, 2008

To: Senate Committee on Health, Human Services, Insurance and Job Creation

Re: Support SB 375, mental health parity

Parity means equality. Comprehensive Insurance Parity means benefit equality. Coverage for medically necessary treatment for all mental health and substance abuse disorders provides benefit equality for all Wisconsin workers and families. The League of Women Voters of Wisconsin has supported equality of coverage for mental health treatment for over 15 years. We registered and spoke in support of SB 71 and SB 72 in legislative session 2003-2004. We also supported Senator Hansen's SB 128 in 2005. We are here again in 2008 to support SB 375.

Federal employees have had comprehensive parity since 2001. The prestigious New England Journal of Medicine reported in 2006 that spending on mental health and substance disorders for the population covered either decreased or was unchanged after parity in all of the plans studied.

Mental Health America is a national organization representing families and consumers of mental health programs. They released the findings of an independent research company, International Communications Research, commissioned to conduct an attitudinal survey regarding health insurance coverage. A nationally representative sample of 3,040 respondents age 18 and older was surveyed regarding attitudes toward medical insurance coverage of mental health and substance abuse disorders. They report "the vast majority of Americans (89%) including Democrats, Republicans, managers and employees want to end insurance discrimination against people with mental health needs (<http://www.mentalhealthamerica.net/>).

The myth that equitable coverage would place too much cost on employers has been disproved in many studies, as the efficacy of treatment for mental health/substance abuse disorders has improved and clearly creates a better workforce. The citizens of this country overwhelmingly support fair mental health insurance coverage. More than 40 states have now legislated equity in coverage. The League of Women Voters of Wisconsin will add our name to the list of organizations in support of SB 375 so that Wisconsin citizens can benefit from the enlightened approach to provide equitable coverage for treatment of mental health and substance abuse disorders.



Wisconsin

MEMORANDUM

**TO: Members of the Senate Committee on Health, Human Services,
Insurance and Job Creation**

FROM: Bill G. Smith, State Director

DATE: Thursday, January 17, 2008

RE: Senate Bill 375

I regret I am unable to attend today's hearing, but please consider the following statement on behalf of NFIB's 12,000 member firms.

Studies show the impact of health insurance costs is not only causing small business owners to adjust cost sharing, cancel coverage's, and reduce coverage, but the high cost of health insurance is also having a serious negative impact on our state's economy.

While some will argue SB-375 will have minimal impact on the cost of health insurance, studies show a mere 1 percent increase in the cost of a health insurance plan equals a \$36 million increase in premium cost for Wisconsin's employers who purchase group health insurance. The Office of the Insurance Commissioner has analyzed the impact of mental health and substance abuse mandate legislation and concludes:

Higher Health Insurance Costs

"The mandate will add approximately \$9.2 – 30.8 million per year to group insurance consumers, borne mostly by small businesses." (emphasis added)

More Uninsured

"...it is reasonable to assume that an increase in premium costs to small and medium-sized employers will have a negative impact on the number of people insured in Wisconsin."

Of course, because federal ERISA law preempts self-insured plans from state mandates, **self-insured big businesses will not be affected by this legislation.**

Senate Bill 375 will increase health insurance premiums for small business and cause more Wisconsin citizens to lose their health insurance coverage.

On behalf of our states small business owners who are already struggling with the cost and coverage of their existing health plans, I hope you will support proposals that make health insurance more affordable not less affordable for our states small employers and their employees.

Please vote against recommending Senate Bill 375 for passage. Thank you for your consideration.

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Linda A. Hall
Executive Director

TO: The Honorable Members of the Senate Committee on Health,
Human Services, Insurance and Job Creation

FROM: Linda A. Hall, Executive Director

DATE: January 17, 2008

RE: Senate Bill 375 – Mental Health Parity

The Wisconsin Association of Family & Children's Agencies (WAFCA) strongly supports passage of Senate Bill 375, which would require health insurers to provide equal coverage of mental health and physical health care services.

WAFCA represents over forty private for-profit and nonprofit agencies that provide mental health, education and social services to people in need. Our members' services include family, group and individual counseling, chemical dependency treatment, crisis intervention, domestic violence programs and outpatient mental health therapy, among others. The majority of our agencies' work with families is supported by the public through Community Aids, Medical Assistance and local tax dollars.

As providers of mental health services, our members are daily witnesses to the struggles of fragile families facing mental health and substance abuse issues. As employers of over 10,000 staff statewide, our member agencies are also acutely aware of the impact that rising health care costs have had on their capacity to provide services and their ability to offer affordable, quality health care coverage to their employees.

While many have argued that mental health parity will impose additional costs on employers, there is considerable evidence that improving access to mental health services makes sense both economically and socially. Employees are more productive and parents are more effective when they have timely, affordable access to quality mental health care.

The current mental health insurance coverage requirements were intended to offer some assurance that individuals would be able to use their health insurance to access mental health services when needed. Unfortunately, the minimum coverage amounts established in 1992 have been treated like maximums. With no increase in the statutory coverage levels, the minimum amount set 16 years ago purchases significantly less service today. When individuals face insurance limits, they are unable to achieve stability and remain healthy enough to maintain employment.

The benefits of mental health parity extend well beyond the immediate benefits for individual families and businesses, however. Increasing private insurance coverage for mental health services increases early and appropriate access to services, thus reducing cost shifting to government.

According to DHFS data reported through the Human Services Reporting System, in 2005, expenditures on mental health and substance abuse services for county clients exceeded \$445 million in state and local funds. An analysis of health care reform by the Lewin Group (1994) determined that approximately 20% of public reimbursements for health services are for clients that have private health insurance coverage. Using the Lewin Group's measure, \$85 of that \$445 million were public dollars filling the gap left by private and employer sponsored insurance. In 2008, the public dollar expenditure will certainly be higher.

Full coverage of mental illness and substance abuse treatment is not just about allowing a few people to access "extra" services that they can really get along without. It is about allowing people access to services that will improve their health status, reduce their use of physicians and hospitals for symptoms related to their mental illness, reduce government expenditures and reduce the number of parents and children who end up in corrections or child welfare because their illnesses are not addressed.

We urge your support for SB 375 to provide mental health parity, a policy that will serve the best interests of Wisconsin families, Wisconsin workers, Wisconsin businesses and Wisconsin taxpayers.



State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Kevin R. Hayden, Secretary

January 17, 2008

TO: Senate Committee on Health, Human Services, Insurance and Job Creation
FROM: John Easterday, DHFS administrator of Mental Health and Substance Abuse Services
RE: Senate Bill 375

My name is John Easterday. I am the Division Administrator for Mental Health and Substance Abuse Services at the Department of Health and Family Services. Thank you for the opportunity to testify for information only on Senate Bill 375.

I would like to make brief remarks from the Department's perspective about increasing access to mental health and substance abuse services by removing barriers to these services.

In his 2007-09 biennial budget, Governor Doyle proposed to raise the minimum mandated benefits for mental health and substance abuse services in group and blanket disability insurance policies. These requirements on in-patient, out-patient and transitional hospitalization have not been raised in more than 20 years. We believe it is good public policy to increase access to mental health and substance abuse services to improve good health outcomes for people and to help reduce overall health care costs.

Indisputably, research points to the inter-relatedness of good physical and mental health and substance abuse health care. Not treating a mental illness or substance abuse often leads to diabetes, cardiovascular illness and fetal alcohol spectrum disorders, amongst other diseases. All of these outcomes weigh heavily on our health care system in terms of the health status of Wisconsin citizens and the cost to both insured and uninsured families. This is especially true when we know that that many people who would benefit greatly from these services go without or don't get the full range of services they need.

As the state's largest health care payer, the state provides mental health parity for Medicaid recipients. With the expansion of health care coverage through BadgerCare Plus and Family Care, the state will be increasing access to mental health and substance abuse services that are important to the overall well-being of many of the state's most vulnerable citizens, including many low-income families and senior citizens. DHFS applauds and thanks the Legislature for including these expansions in the budget and therefore increasing access to mental health and substance abuse services.

Mental health parity in some form is the law in roughly 40 states in the country. When crafted appropriately, it can be a win-win for consumers, taxpayers and employers across the state.

We at DHFS look forward to a healthy discussion about removing barriers to mental health and substance abuse services, and we offer our experience as a health care providers, researchers and public health policy makers as SB 375 moves through the legislative process.

Thank you again for the opportunity to provide information. I'm happy to take any questions that committee members may have.